17 October 2018

NEX: CHL

CHURCHILL MINING PLC
("the Company" or "Churchill")

Final Results for the 12 months ended 30 June 2018

Churchill Mining Plc (NEX: CHL) announces its final results for the 12 months ended 30 June 2018.

CHAIRMAN'S STATEMENT

Dear Shareholder,

I present Churchill Mining Plc's ("Churchill" or the "Company") Annual Report for the 12 months ended 30 June 2018.

Introduction

During the year the Company continued to pursue annulment of the adverse Award handed down by the ICSID Tribunal in December 2016 in relation to the Company's US$1.315 billion (plus interest from May 2010) claim against the Republic of Indonesia ("**Indonesia**") for the unlawful measures taken by Indonesia against the Company's investments in the East Kutai Coal Project ("**EKCP**").

A brief recap of the key stages in the annulment proceedings follows:

Chronological History of Key Annulment Proceedings Dates

Award Rendered	6 December 2016
Churchill's Annulment Application Filed	31 March 2017
Annulment Committee Appointed & Proceedings Commence	15 May 2017
Stay on Enforcement of Award Ruling	3 August 2017
Indonesia's Counter Memorial on Annulment Filed	20 October 2017
Churchill's Reply Filed	15 February 2018
Indonesia's Rejoinder Filed	10 April 2018
Annulment Hearing Held	16 & 17 July 2018
Annulment Cost Submissions Filed	31 August 2018

Annulment - Discussion

A copy of both the Annulment Application lodged by the Company and our Reply to Indonesia's Counter Memorial on Annulment are available on the Company's website at www.churchillmining.com/investor-information/icsid-damages-claim-v-republic-of-indonesia and I urge shareholders to read these documents for a fuller understanding of our case for annulment of the Award rendered by the Tribunal. I would also encourage shareholders to read the Award, if they have not done so already.

In my report to shareholders this year, I have concentrated on the Annulment Hearing in Singapore albeit that it was held post year end (on 16 and 17 July 2018), as it was the culmination of the events of the year just past.

Given the two-day time limit set aside for this hearing, Churchill concentrated its oral submissions on explaining six manifest errors within the Award that we believe individually justify annulment. These being:

<u>The Tribunal Went Radically Beyond the Scope of the Document Authenticity Phase it had Defined</u>

The Company's first major complaint with the Award was that having circumscribed the scope of the Document Authenticity phase in Procedural Orders 15 and 20 *as "being limited to:*

(i) *the factual question whether the impugned documents are authentic or not (including especially who signed the documents and how), and*

(ii) *legal submissions on the positions in law in a scenario where there would be forgery (including for instance the legal requirements for estoppel, <u>as opposed to the facts</u> allegedly justifying a finding of estoppel)"*,

The Tribunal simply ignored the scope of its own Procedural Orders and disregarded the clarifications it had previously provided on what it meant in the second limb of Procedural Orders 15 and 20 (*"Submissions on the Legal Consequences"*). The Tribunal then went on to make a final dispositive determination of all Churchill's claims without a full factual record on the basis of a new and obscure legal framework (based on the *Minnotte* decision, i.e. inadmissibility of claims for lack of due care or negligence in investigating the factual circumstances around the making of an investment or unreasonable failure to perceive third-party wrongdoing).This framework was introduced by the Tribunal itself and was clearly not within the scope of this phase of the proceedings.

By way of background the Tribunal went to considerable lengths to expressly provide clarification on "what it meant" by *Submissions on the Legal Consequences* but at no time did it give any indication that "what it meant" extended beyond the scope of the clarifications it had provided or more specifically that a finding of forgery would render *"inadmissible"* the Company's submissions on all other claims (such as estoppel, acquiescence, fair and equitable treatment and intellectual property rights) without even considering the facts relevant to each of those matters.

In summary the Award shows that the Tribunal:

(i) disregarded the clarifications it had provided on what it had meant by *Submissions on the Legal Consequences*;

(ii) ignored its own Procedural Orders; and

(iii) made a final dispositive determination of all Churchill's claims without a full factual record on the basis of a legal framework that was clearly not within the scope of this phase of the proceedings.

It is the Company's firm belief that it was a manifest excess of power for the Tribunal to make a finding of inadmissibility in these circumstances and when this finding is considered in conjunction with the Tribunal's shocking disregard for due process there is little question that this Award should be annulled on this basis alone.

The manifest excess of power I have described above was further exacerbated by the Tribunal's improper reliance on *"International Public Policy"* in its attempt to justify a finding of inadmissibility in the Award. What is clear from the evidentiary record however is that the Tribunal's reliance on "*International Public Policy*" was based on its own conclusion, contrary to its prior orders and explanations, that these matters fell within the scope of the Document Authenticity phase it had defined and more particularly within the confines of what it meant by *Submissions on the Legal Consequences*.

Prior to the Award, the Tribunal provided numerous clarifications on what it meant by *Submissions on the Legal Consequences* but at no time did it give even the slightest hint that these submissions encompassed obscure areas of international law such as "*Nelsonian knowledge*" and *"International Public Policy"* or that its enquiries on such topics could lead to a determinative finding of inadmissibility within the narrowly defined scope of the Document Authenticity phase.

Put another way, having knowingly chosen to ignore the clarifications it had previously provided on what it had meant by *Submissions on the Legal Consequences* it was a manifest excess of power for the Tribunal to then invoke these novel principles to justify its finding of inadmissibility in the Award.

In an attempt to buttress its unsound finding of inadmissibility, the Tribunal went even further outside the scope it had prescribed for the Document Authenticity phase when, at the eleventh hour, it resorted to the unilateral introduction of a new legal framework (*Minnotte*) that neither party had referred to or relied on.

It was obvious that the *Minnotte* legal framework raised numerous new legal and factual matters (such as Churchill's due care in carrying out its investment and whether in fact there had been a deliberate closing of eyes to serious misconduct by a third party) and that these matters were clearly way beyond the scope of what the Tribunal had prescribed for the Document Authenticity phase. Churchill raised these concerns with the Tribunal at the time.

Moreover, the part of paragraph 163 in *Minnotte* that the Tribunal introduced long after the Hearing and relied on in the Award as the basis for a legal framework justifying inadmissibility was not at the time and is not now reflective of international law. Indeed, as Churchill explained at the Annulment Hearing, paragraph 139 of the *Minnotte* decision shows that the Minnotte arbitrators themselves were unwilling to accept that the legal framework ultimately applied by the Churchill tribunal was reflective of international law (the *Minnotte* tribunal expressly stated "[n]*or does the Tribunal consider that any principle of international law* […] *would bar its jurisdiction in the case of the Claimants whose connection with an alleged fraud consists in a negligent failure to make inquiries which might (or might not) have unearthed evidence of fraud*".

In calling for the parties to provide their legal submissions on *Minnotte,* the Tribunal, in the very same letter, ordered that no factual evidence on any matters relating to *Minnotte* was to be submitted.

At the commencement of the Document Authenticity phase the Tribunal ordered that a full enquiry into many of the Company's counter-arguments would not be included in this phase of the proceedings. Having excluded enquiry into many of the Company's counter-arguments it was improper for the Tribunal to then introduce a new and radical legal framework (*Minnotte*) without allowing Churchill the right to file the evidence it needed to defend itself under this new framework.

Even more shocking was the fact that the Tribunal then went on to disingenuously apply the one-sided legal framework it had introduced itself to make a determinative finding of inadmissibility of all Churchill's claims.

In summary nothing justified the Tribunal departing from the procedure it had prescribed and nothing justified declaring all of Churchill's claims inadmissible before hearing argument and evidence relating to all of the alternative claims and any consequential issues.

<u>Radical Change in Legal Framework - The *Minnotte* Direction</u>

The Company's second major complaint also concerns *Minnotte*.

It is our view that even if the Tribunal was within its powers to unilaterally introduce *Minnotte* as an authority and potentially make a determinative ruling based upon it, it was a clear and outcome- determinative breach of natural justice not to reopen the factual enquiry.

As I have mentioned above, Procedural Orders 15 and 20 expressly limited the factual enquiry of the Document Authenticity phase to the specific issues of document authenticity and authorization. Moreover, because neither party had relied on or referred to *Minnotte* in the Document Authenticity phase, Churchill could not have anticipated this case being relevant and led evidence accordingly.

Minnotte however raised very different factual issues to those going to document authenticity and authorization including:

(i) the lack of due care or negligence of the investor to investigate the factual circumstances surrounding the making of an investment; and
(ii) the deliberate "*closing of eyes*" to indications of serious misconduct or crime, or an unreasonable failure to perceive such indications even if they were committed by a third party.

We have referred to these issues as the *Minnotte factors* in our Annulment submissions.

As I have mentioned above the Tribunal's eleventh-hour letter calling for submissions on *Minnotte* expressly limited submissions to the existing factual record, making it abundantly clear that no new factual evidence relevant to the *Minnotte factors* was allowed.

In the Annulment proceedings, the Company has accordingly argued that barring us from submitting this factual evidence resulted in a clear and outcome-determinative breach of ICSID procedure because the full factual record that would be required to address these complex *Minnotte factors* was not before the Tribunal.

We say categorically that by calling for submissions on *Minnotte* in the way it did, the Tribunal put Churchill in a position where, long after the hearing, it was forced into arguing about the application of a radical new legal framework with its evidentiary hands tied behind its back and the serious miscarriage of justice that occurred as a result of the Tribunal's deliberate actions is self-evident.

Reflecting on the requirement to act fairly, the President of the Tribunal stated during the Document Authenticity hearing that the Tribunal must be very careful to respect due process and rule only on issues bought before it **<u>in full</u>**. It was therefore, by any objective measure, grossly unfair for the Tribunal to punish Churchill for the absence of evidence the Tribunal had not heard and had expressly acknowledged at the end of the hearing that it had not heard.

We believe that the Tribunal's approach regarding *Minnotte* and its failure to reopen the factual record is a serious departure from a fundamental rule of procedure – the right to be heard– warranting annulment.

<u>State Responsibility</u>

The Company's third major complaint with the Award was that having found that someone senior inside the Indonesian Government was complicit in the fraud, the Tribunal failed to address the legal consequences of that finding for Indonesia and its objection to admissibility. Specifically, in the arbitration, Churchill argued that Indonesia could not raise an objection to admissibility based on a fraud in which its own senior officials were involved, as that would mean Indonesia would be allowed to benefit from its own breaches of international law (including the rule of good faith).

Under Article 7 of the International Law Commission (**"ILC"**) Articles on State Responsibility, a State (in this case the Republic of Indonesia) will *prima facie* be liable for crimes committed by State officials when they are committed in their official capacity. The relevance and application of Article 7 are both obvious.

ILC Article 7 reads as follows:

“The conduct of an organ of a State or of a person or entity empowered to exercise elements of the governmental authority shall be considered an act of the State under International law if the organ, person or entity acts in that capacity, even if it exceeds its authority or contravenes instructions.”
In the extraordinary circumstances of this case – where the State unequivocally and actively stated its own senior government officials were complicit in fraud – this principle of international law is unquestionably engaged and should therefore have been both considered and addressed by the Tribunal. Yet the Tribunal completely failed to do so.

In its Annulment Application the Company has argued that the Tribunal, having found that someone senior within the Government was complicit in the fraud:

(i) then failed to apply the proper law (international law and more particularly the fundamental international law principle of good faith and the doctrine of State responsibility) to this finding; and

(ii) failed to state any reasons whatsoever for its decision on what was an obviously outcome-determinative point, i.e. if the Tribunal had ruled on Churchill's good faith/State responsibility claim, it would (or at least could) have held that Indonesia was barred from raising the fraud in which its own officials were involved as a basis of challenging the admissibility of Churchill's claims, with the result being that the arbitration would (or could) have continued.

The Company believes that the actions of the Tribunal were in clear breach of the three fundamental rules of ICSID procedure invoked by the Company in its Annulment Application.

<u>Re-admission of Mr Noor’s Evidence and Refusal to Order Production of Police Files</u>

The Company’s fourth major complaint with the Award was the Tribunal’s re-admission of Mr Noor’s evidence after having previously ruled that this evidence be disregarded for his outright refusal to attend the Document Authenticity hearing for cross-examination and the Tribunal’s treatment of other critical evidence unfavourable to Indonesia.

Mr Noor is clearly a central character in the whole EKCP debacle.

By way of background:

(i) he was the Deputy Regent in the period when the General Survey and Explorations were supposedly forged and he approved final internal drafts of these licences
(ii) he attended a number of meetings between Ridlatama and other government officials regarding the long-term Exploitation Licences;
(iii) he hand signed the Exploitation licences; and
(iv) he issued a raft of related licences for EKCP after having hand signed the Exploitation Licences;

There can be no question that Mr Noor was right in the thick of things from the very beginning. He clearly knew what was going on and was the primary Indonesian government official who was accountable on a day-to-day basis for what was going on.

Mr Noor’s inexplicable actions regarding the EKCP have however raised serious questions about his motivations. As just one example of these inexplicable actions, on the very same day he hand-signed two letters – one to the London Stock Exchange denouncing Churchill by claiming there were indications of forgery in Ridlatama’s Licences and the other to the Minister of Forestry supporting Ridlatama’s application for a forestry permit that made specific reference to the Exploitation Licences he had issued six months earlier (without any suggestion or forgery or that he was deceived into signing those Exploitation Licences).

Mr Noor provided a written witness statement for the Document Authenticity phase in which he said he had been deceived when he signed the Exploitation Licences and that he would not have signed them if he knew the preceding General Survey and Exploration Licences were forged. Yet he did not attempt to disown these two, manifestly inconsistent letters.

Churchill had many questions to put to Mr Noor in cross examination about his knowledge of EKCP, Ridlatama and his role in the assessment of the earlier licences, and these two inconsistent letters. The Tribunal also indicated that it too had many questions for Mr Noor. However, he outright refused to attend the hearing.

On Churchill's motion, the Tribunal declared Mr Noor's witness statement had been disregarded. That should have been the end of any mention of his evidence.

The Award however shows that the Tribunal did not disregard his witness statement and did in fact give it significant weight. No matter how many ways one might look at the relevant paragraph of the Award (512) it is simply impossible to escape the conclusion that the Tribunal re-admitted without notice Mr Noor's evidence. There is no alternative evidentiary foundation for Mr Noor's *"misguided assumption"* referred to in paragraph 512 of the Award simply because Mr Noor and Mr Noor alone could testify to his own subjective state of mind at the time he signed the Exploitation Licences.

What makes the Tribunal's action in re-admitting Mr Noor's evidence truly shocking is that the exclusion of this evidence was presented by the Tribunal as a remedy for the prejudice the Company clearly suffered for not being able to cross examine him. For the Tribunal to then knowingly deprive the Company of the remedy it had itself prescribed without notice or any opportunity to make submissions was a gross violation of the principles of natural justice.

The manifest injustice here is that without re-admitting Mr Noor's evidence, it was simply not possible for the Tribunal to impugn the authenticity of the Exploitation Licences he had undisputedly hand signed. It was therefore highly improper for the Tribunal to make a positive finding that the Exploitation Licences were also invalid on the back of an obviously tainted process.

By making this ruling the Tribunal had effectively decided that the Exploitation Licences could not be viewed as standalone instruments of title with their own independent validity and that they were "*infected*" by the forgery of previous licences. We submitted that this "infection" issue was first and foremost a question of Indonesian law, on which the parties would need to be heard (all the more so given the exclusion of Mr Noor's evidence). Yet the Tribunal did not allow Churchill to file any Indonesian law evidence on this issue, thereby aggravating the breach of natural justice that it committed when it unilaterally and without notice re-admitted Mr Noor's evidence.

The inequitable reality of the Tribunal's actions in regard to Mr Noor's evidence is that the evidence was improperly re-admitted and given serious weight, thereby denying Churchill a remedy for Mr Noor's outright refusal to attend the hearing.

A further inequitable effect of the Tribunal's improper re-admittance of Mr Noor's witness statement evidence was that it automatically reversed the burden of proof such that it was then for Churchill to prove that Mr Noor was *not* deceived when he signed the Exploitation Licences. Any reasonable judge or arbitrator would have known that Churchill could not meet this burden without the opportunity to question Mr Noor.

The evidentiary bias suffered by Churchill throughout the proceedings was further exacerbated by the Tribunal's partisan treatment of other relevant evidence such as the results of the various Indonesian police investigations into the alleged forgery. Churchill requested the production of these files and the Tribunal ordered that these files be produced as they were *"relevant and material"*.

Even though clearly relevant, Indonesia outright refused to provide these documents.

The result of Indonesia's refusal to provide this information was that Churchill was denied access to information that was clearly relevant and material to the Document Authenticity phase. Not only did Churchill not have access to relevant and material information, the Tribunal actively rewarded Indonesia for its shameful behaviour by later rejecting our request that adverse inferences be drawn against Indonesia for failing to produce this information it had ordered.

In light of the above it is difficult, in our view, to see any how any argument that the parties were treated fairly and equitably could have any credibility.

Status of the Exploitation Licences & Other Claims

The Company's fifth major complaint with the Award is that the Tribunal failed to address the legal status of the Exploitation Licences or consider any of the Company's other claims.

As I have explained above, if (for the sake of argument) the Tribunal was entitled to make a determination of inadmissibility at the end of the Document Authenticity phase, it was also then obligated to consider and provide a ruling on all other claims the Company had made (e.g. the legal status of the Exploitation Licences under Indonesian law (the "infection issue") and our other arguments relating to issues such as estoppel). The procedural treatment of these important issues was discussed at length with the Tribunal on the last day of the Document Authenticity hearing.

In the directions it issued after the Hearing, the Tribunal specifically excluded any factual enquiry into these issues of Indonesian law and indeed excluded any argument at all on the status of the Exploitation Licences. In these circumstances it was clearly wrong for the Tribunal to make a final decision on the inadmissibility of all claims when it had specifically ordered that Churchill was not to provide evidence in regard to any of these claims.

It is our view that the Tribunal's conduct in relation to these matters constituted a manifest excess of power and was also a serious departure from a fundamental rule of procedure.

Lack of Reasoning

The Company's sixth major complaint with the Award is that the Tribunal failed to give reasons in respect of several of its most important conclusions. Below are six examples.

1. The Tribunal failed to state reasons for its conclusion at paragraph 508 of the Award that "*International Public Policy*" was engaged on the facts it found.

   It is our view that the Tribunal was fixated on dismissing all of Churchill's claims and improperly resorted to creating its own fanciful notions of what "International Public Policy" was without any proper reasoning or justification.

2. The Award fails to state the reasons for the Tribunal's decision that Churchill's due diligence failed to meet the standard of a "*reasonable investor in the Indonesian mining sector*" (which is the standard the Tribunal found was applicable).

   This is an objective test that requires detailed evidence of what other investors are doing at the time – specifically whether their due diligence programs included forensically checking whether signatures on official government documents were forged. The Tribunal did not provide any reasons for how it applied this objective standard in the complete absence of any such evidence.

3. The Tribunal did not refer to ILC Article 7 at all in its Award even though this was raised multiple times by Churchill. Nor did the Tribunal refer to the arguments we raised that the involvement of senior Indonesian government officials in the fraud had legal consequences for Indonesia's ability to object admissibility based on fraud.

   The Tribunal did not rule or provide any reason at all on whether a party could benefit from its own wrongdoing. As explained above, Churchill expressly argued that this principle barred Indonesia's admissibility objection.

   In paragraph 494 of the Award it can be seen that the Tribunal stated that "*the legal consequences of fraudulent conduct depend to a large extent on the circumstances of each case*" and that these circumstances include "*the role of the disputing parties in the fraud*". But, having said that the role of *both parties* was relevant, the Tribunal provided no reasons for its decision that the role of Indonesia's senior government officials was not relevant.

4. No reasons were stated as to why the Tribunal re-admitted (or at the very least did not disregard) Mr Noor's evidence.

   The Award does not provide any reasons for the Tribunal's re-admission or failure to disregard this crucial evidence and is also internally inconsistent in that it says at paragraph 84 that Mr Noor's evidence was disregarded.

5. The Tribunal failed to state reasons for its conclusion that the Exploitation Licences were invalid under Indonesian law but the point was moot anyway.

   We say on this issue that the proper application of Article 42(1) of the ICSID Convention required the Tribunal to give reasons why Indonesian law conflicted with International law before it could have recourse to international law to decide the issue was moot.

6. The Tribunal failed to provide reasons as to why Churchill could not bring its alternative claims.

   As the *Minnotte* tests were clearly tainted by serious breaches of natural justice and manifest excesses of power, the Tribunal was under a duty to give reasons for its decision on each of the alternate claims. In particular the Tribunal was required to give reasons for how the nexus in *Minnotte* was established for each of these claims, namely unjust enrichment, intellectual property and denial of justice, such as to find them inadmissible.

In summary, the Company has submitted that these annulment proceedings concern an Award issued by an ICSID Tribunal that failed in its basic duties:

- to issue clear procedural orders and then stay within the scope of those orders;
- to give the parties the full opportunity to present their cases (not just on the law, but also on the facts);
- to properly apply the burden of proof;
- to apply the law to the facts (including and especially the law of State responsibility); and
- to render a reasoned award.

Fundraising

Convertible Notes

On 22 November 2017, the Company announced that it agreed to issue £500,000 of convertible loan notes ("**Loan Notes**") to its major shareholder Pala Investments Limited ("**Pala**").

The funds received pursuant to the issue of the Loan Notes are being used to help meet the costs of the Company's annulment proceedings.

In consideration for the issue of the Loan Notes, Pala is entitled to receive a direct 25 per cent. interest in the proceeds of any future outcome from the Company's ICSID claim against the Republic of Indonesia. The Loan Notes are convertible into Ordinary shares of the Company at a price of approximately 2.976p per share. Full conversion of the Loan Notes by Pala would result in the issue of 16,800,000 new Ordinary Shares and would increase Pala's shareholding to 49,692,388 Ordinary Shares, representing 29.3 per cent of the Company's current issued share capital as enlarged by full conversion of the Loan Notes.
The coupon rate for the Loan Notes is 10% per annum and interest will accrue daily (until repayment or conversion) and be capitalized annually. Interest shall be payable in cash upon repayment or conversion of the Loan Notes.

<u>Equity Placement</u>

On 28 November 2017, the Company announced that it had conditionally raised £375,000 before expenses through a placing of 15,000,000 new Ordinary Shares at a price of 2.5p per share together with the issue of warrants over Ordinary Shares on the basis of one warrant for each Placing Share exercisable at a price of 5p per Ordinary Share expiring on 31 December 2020. The placing was settled in two tranches with the first tranche of 4,830,000 shares (£120,750) issued in late November 2017. The second tranche of 10,170,000 shares was subsequently issued on the passing of the necessary resolutions granting the Directors the power to allot the remaining shares in respect of the Placing Shares and the Placing Warrants at the Company's Annual General Meeting held on 29 December 2017. The net proceeds of the placing provided the Company with additional funding to help meet the costs of the Company's annulment proceedings.

Performance Rights

On 18 January 2018, following approval by shareholders, the Company issued 22,750,000 Performance Rights to Directors, Employees and Consultants. The rights expire 4 years from the date of issue and include vesting conditions that are directly linked to the success or otherwise of the ICSID Annulment application.

Events Post 30 June 2018

The following significant events have occurred post 30 June 2018.

<u>Annulment Hearing</u>
The formal Annulment hearing was held in Singapore on 16 and 17 July 2018.

<u>Submission on Costs</u>
The Company provided its submission on costs for the Annulment phase on 31 August 2018.

At the time of writing, no indication has been given by the Annulment Committee as to the timing of its decisions on the above matters.

I would like to conclude by thanking our shareholders, my fellow Directors and our staff for their continued support and patience and can assure you the Board continues actively to seek a suitable outcome in the ICSID proceedings for shareholders. I would also like to thank Mr Greg Radke (who resigned during the year) for his contribution and support over the last 7 years.

Information on the progress of Churchill/Planet's claim against the Republic of Indonesia can be found at the website of the International Centre for Settlement of Investment Disputes at https://icsid.worldbank.org/apps/ICSIDWEB/Pages/default.aspx (under cases for "Churchill").

David Quinlivan
Chairman – 16 October 2018

The full report and accounts for the 12 months ended 30 June 2018 will be available on the Company's website www.churchillmining.com and will be sent to shareholders.

This announcement contains inside information.

The Directors of the Company are responsible for the contents of this announcement.

ENDS

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STRATEGIC REPORT

FAIR REVIEW AND COMPANY STRATEGY

Churchill's growth path accelerated following the discovery of a world-class thermal coal deposit (the East Kutai Coal Project "EKCP") in the East Kutai Regency of Kalimantan, Indonesia, through an intensive and targeted exploration program.

Churchill's investments and operations culminated in the completion of a feasibility study in readiness for funding and the commencement of construction of the necessary infrastructure to support the exploitation of the coal resource. The Group's operations were subsequently halted by a decision by the East Kutai Regent to revoke the mining licences held by Churchill's Indonesian partners, the Ridlatama Group of companies ("Ridlatama") in which Churchill held a 75% interest. The East Kutai Regent's decision was challenged before the Indonesian courts, resulting initially in a negative ruling from the Samarinda Administrative Tribunal which upheld the East Kutai Regent's decision to revoke the licences. The decision was appealed, first to the Administrative High Court in Jakarta and then to the Supreme Court of Indonesia, but both appeals were unsuccessful. Churchill then took its claim for damages to the International Centre for Settlement of Investment Disputes ("ICSID").

On 6 December 2016, the ICSID Tribunal granted Indonesia's application to dismiss the Company's claims for damages including an order that Churchill pay a total of $9.46m in costs and arbitration fees. The Company subsequently lodged an application to annul the ICSID Award of 6 December 2016 and has been granted a stay of execution of the Award including the cost orders contained in it. Indonesia subsequently made an application that the stay on enforcement of the award be terminated and a security for cost order be made.

A hearing on annulment was held on 16/17th July 2018 with oral submissions also made on Indonesia's application that the stay on enforcement of the award be terminated and a security for cost order be made.

As at the date of this report the decision is pending. Progressing the annulment application has been Churchill's principal activity and focus for the Company. Further detail in relation to the progress of the international arbitration claim during the 2018 financial year is included in the Chairman's Statement.

STRATEGY AND OBJECTIVES

Churchill's key objective is to restore shareholder value following the revocation of the mining licences that made up the EKCP in East Kalimantan, Indonesia, in which Churchill/Planet held a 75% interest. The Company will continue to seek to restore value for shareholders by actively progressing its annulment application against the adverse ICSID award.

FINANCIAL SUMMARY

Results of Operations (All amounts in US$)

The Group incurred a loss for the year attributable to equity shareholders of the parent of $0.66 million compared to a loss of $10.62 million for the previous year. The basic loss per ordinary share for the year was 0.43c compared with the loss per share of 7.17c for the previous year.

Other administrative expenses totalled $0.59 million (June 2017: $10.65 million). Significant expenditure items and provisions during the period include:

- Legal and professional fees of $0.15 million (June 2017: $0.43 million) reflecting expenditure for the Company's arbitral claim against Indonesia;
- Consulting, directors, staff and professional fees of $0.2 million (June 2017: $0.25 million)

Net cash outflow from operating activities has decreased compared to the year ended 30 June 2017 and mainly reflects the reduction in legal and administrative costs of pursuing the ICSID claim against Indonesia incurred during the period.

	30 June 2018	30 June 2017
	$'000	$'000
	Audited	Audited
Net cash outflows from operating activities	(705)	(1,151)

The balance of operating expenditure is in line with the Company's expectations and current work on the annulment filed in the ICSID arbitration proceedings.

Selected Annual Information

The Group's statement of financial position at 30 June 2018 and comparatives at 30 June 2017 and 30 June 2016 are summarised as follows:

	2018	**2017**	**2016**
	$'000	**$'000**	**$'000**
Non-current assets	-	-	2
Current assets	918	351	1,527
Total assets	**918**	**351**	**1,529**
Current liabilities	9,639	172	453
Non-current liabilities	601	9,447	48
Total liabilities	**10,240**	**9,619**	**501**

Net (liabilities) / assets	**(9,322)**	**(9,268)**	**1,028**

As detailed in the Chairman's Statement, the ICSID tribunal previously granted Indonesia's application to dismiss the Company's claims for damages arising out of the revocation of the mining licenses that made up the East Kutai Coal Project in East Kalimantan ("EKCP") Indonesia. Included in the tribunal's decision Churchill was ordered to pay a total of $9.46m in costs and arbitration tribunal fees. The Company has filed an application for annulment of the ICSID award and has been granted a stay of enforcement of the Award, including the cost orders contained in it, pending determination of its Annulment Application which remains uncertain. Indonesia subsequently made an application that the stay on enforcement of the award be terminated and a security for cost order be made. A hearing on annulment was held on 16/17th July 2018 with oral submissions also made on Indonesia's application that the stay on enforcement of the award be terminated and a security for cost order be made. An unfavourable decision may result in enforcement of the Award including the costs order. The Company has recognised a full provision for the costs order in the prior year. Further information regarding the Group's ability to meet current obligations is discussed in Paragraph 9. Going Concern in the Directors report.

Liquidity & Capital

The Group began the year with $0.29 million in cash and ended the year with $0.71 million in cash assets. The increase resulted from an equity raise and issue of convertible bond during the year. The Company continues to minimise other administration and corporate overheads where possible to preserve the Company's cash position. Further information regarding the Group's ability to meet current obligations is discussed in Paragraph 9, Going Concern in the Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly reviews the risks to which the Group is exposed and endeavours to minimise these risks as far as possible. The following summary, which is not exhaustive, outlines some of the risks and uncertainties facing the Group in its present position following the revocation of the mining licences that made up the EKCP and adverse award received from the international arbitration against the Republic of Indonesia.

Litigation risk
As detailed in the Chairman's statement and Strategic Review, the Company is engaged in legal actions including an annulment application filed in the international arbitration against the Republic of Indonesia of which the outcome remains unknown. As part of the annulment application the Company has been granted a stay of enforcement of the Award including the cost orders contained in it. Indonesia subsequently made an application that the stay on enforcement of the award be terminated and a security for cost order be made. There can be no assurance that the Annulment application will be awarded in favour of the Company. An unfavourable decision may result in enforcement of the Award including the costs order. The Company has engaged experienced international counsel to assist in mitigating this risk and providing the best possible chance of recovering value for shareholders.

Sovereign risk
During the year the Group had an administration office in Indonesia where there are a number of associated risks over which it will have no control. Potential risks in Indonesia could include economic, social or political instability, terrorism, currency instability, government participation and taxation.

Funding risk
The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the general performance of the Company and the progress of the annulment proceedings. There can be no assurance that additional capital or other forms of finance may be available if needed, or that, if available the terms of such financing will be favourable to the Group. The

Directors have a reasonable expectation that the Group will have access to the necessary resources to continue its pursuit of the ICSID litigation.

Reliance on key management

The Group's future success is substantially dependant on the continued services and performance of its key personnel. The Company's aim is to ensure that key personnel are rewarded and incentivised for their contribution to the Group and are motivated to enhance the return to Shareholders. There can be no assurance that the Company's current personnel, systems, procedures and controls will be adequate to support the litigation or any future operations or expansion.

Currency risk

The Company is exposed to exchange rate risk in its daily operations and mitigates this risk where possible by holding currency in GBP, USD and AUD based on budgeted expenditure.

ANALYSIS USING KEY PERFORMANCE INDICATORS

The International arbitration claim and subsequent annulment proceedings has in effect become Churchill's principal activity and focus. The key performance indicator is to manage the arbitration claim in an efficient and cost-effective manner and raise sufficient funds to support the claim. The Directors regularly monitor available cash to meet on-going administration and legal costs with the aim of a recovery of value for Shareholders.

APPROVAL OF THE BOARD

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties with a Company that has a legal claim as its main principal activity and focus. Whilst the Directors believe that any expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors beyond the Group's control. Accordingly, no reliance may be placed on any forward-looking statements.

By order of the Board

David Quinlivan
Chairman – 16 October 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Other administrative expenses		(591)	(1,200)
Provision for ICSID costs award		-	(9,447)
Total administrative expenses	3	**(591)**	**(10,647)**
Loss from operations		**(591)**	**(10,646)**
Finance income	2	**-**	**31**
Finance expense	3	**(72)**	**(2)**

	Note		
Loss before taxation		**(663)**	**(10,617)**
Tax expense	5	-	-
Loss for the year attributable to equity shareholders of the parent		**(663)**	**(10,617)**
Other comprehensive income:			
Foreign exchange differences on translating foreign operations		18	(59)
Other comprehensive income for the year		**18**	**(59)**
Total comprehensive loss for the year attributable to equity shareholders of the parent		**(645)**	**(10,676)**
Loss for the year attributable to:			
Owners of the parent		(663)	(10,617)
		(663)	**(10,617)**
Total comprehensive loss for the year attributable to:			
Owners of the parent		(645)	(10,676)
		(645)	**(10,676)**
Loss per share attributable to owners of the parent:			
Basic and diluted loss per share (cents)	6	(0.43c)	(7.17c)

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2018

Company number 5275606		**Consolidated**		**Company**	
	Note	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
ASSETS					
Current assets					
Cash and cash equivalents		714	298	713	298
Other receivables	9	204	53	204	52
Total current assets		**918**	**351**	**917**	**350**
TOTAL ASSETS		**918**	**351**	**917**	**350**
LIABILITIES					
Current Liabilities					
Trade and other payables	11	192	172	183	149
Provisions	13	9,447	-	9,447	-
Total current liabilities		**9,639**	**172**	**9,630**	**149**
Non-current liabilities					
Borrowings	12	601	-	601	-
Provisions	13	-	9,447	-	9,447
Total non-current liabilities		**601**	**9,447**	**601**	**9,447**
TOTAL LIABILITIES		**10,240**	**9,619**	**10,231**	**9,596**
NET ASSETS		**(9,322)**	**(9,268)**	**(9,314)**	**(9,246)**

CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	15	2,805	2,602	2,805	2,602
Share premium	15	81,269	81,241	81,269	81,241
Other equity	12	86	-	86	-
Other reserves		3,422	3,317	4,284	4,195
Retained deficit		(96,904)	(96,428)	(97,758)	(97,284)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(9,322)**	**(9,268)**	**(9,314)**	**(9,246)**
TOTAL EQUITY		**(9,322)**	**(9,268)**	**(9,314)**	**(9,246)**

The accompanying notes form part of these financial statements. The Company loss for the year was $662,837 (2017: Loss $10,491,758). The financial statements were approved by the Board of Director and authorised for issue on 16 October 2018 and were signed on its behalf by:

David Quinlivan
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

					Other Reserves			
l	Share Capital	Other Equity (Convertible Note)	Share premium reserve	Retained deficit	Foreign exchange	Warrant Reserve	Equity settled rights and share options	Total Equity attributable to equity holders of Company
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
quity for year to 30 June 2017								
July 2016	2,595	-	81,112	(86,036)	(335)	701	2,991	1,028
period	-	-	-	(10,617)	-	-	-	(10,617)
ehensive expense	-	-	-	-	(59)	-	-	(59)
of share based payments	-	-	-	-	-	-	244	244
es	7	-	129	-	-	-	-	136
ants	-	-	-	-	-	-	-	-
re options	-	-	-	225	-	-	(225)	-
) June 2017	**2,602**		**81,241**	**(96,428)**	**(394)**	**701**	**3,010**	**(9,268)**
quity for year to 30 June 2018								
July 2017	2,602	-	81,241	(96,428)	(394)	701	3,010	(9,268)
period	-	-	-	(663)	-	-	-	(663)
ehensive expense	-	-	-	-	20	-	-	20
of share based payments	-	-	-	-	-	-	30	30
res and warrants	203	-	61	-	-	242	-	506
are options	-	-	-	187	-	-	(187)	-
er equity (Convertible Note)	-	86	-	-	-	-	-	86
costs	-	-	(33)	-	-	-	-	(33)
) June 2018	**2,805**	**86**	**81,269**	**(96,904)**	**(374)**	**943**	**2,853**	**(9,322)**

The accompanying notes form part of these financial statements.

Company	Share Capital	Share premium reserve	Other Equity (Convertible Note)	Retained deficit	Foreign Exchange reserve
	$'000	$'000	$'000	$'000	$'000
Changes in equity for year to 30 June 2017					
Balance at start of the year	2,595	81,112	-	(87,017)	678
Total comprehensive profit/(loss) for the year	-	-	-	(10,492)	-
Other comprehensive income	-	-	-	-	(194)
Issue of shares	7	129	-	-	-
Recognition of share based payments	-	-	-	-	-
Expiry of share options	-	-	-	225	-
Balance at 30 June 2017	**2,602**	**81,241**	**-**	**(97,284)**	**484**
Changes in equity for year to 30 June 2018					
Balance at start of the year	2602	81,241	-	(97,284)	484
Total comprehensive profit/ (loss) for the year	-	-	-	(662)	-
Other comprehensive expense	-	-	-	-	5
Issue of shares and warrants	203	61	-	-	
Other Equity (Convertible Note)	-	-	86	-	-
Recognition of share based payments	-	-	-	-	-
Expiry of share options	-	-	-	188	-
Share issue costs	-	(33)	-	-	-
Balance at 30 June 2018	**2,805**	**81,269**	**86**	**(97,758)**	**489**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	Note	Consolidated		Company	
		2018	2017	2018	2017
		$'000	$'000	$'000	$'000
Cash flows used in operating activities	17	(705)	(1,151)	(687)	(1,073)
Net cash used in operating activities		**(705)**	**(1,151)**	**(687)**	**(1,073)**
Cash flows used in investing activities					
Advances to subsidiaries		-	-	2	(76)
Cash flows generated from/(used in) investing activities		**-**	**-**	**2**	**(76)**

Cash flows from financing activities					
Proceeds from issue of share capital	15	506	11	506	11
Expense of raising capital	15	(35)		(35)	
Proceeds from borrowings	12	675		675	
Expense of borrowings	12	(27)	-	(27)	-
Cash flows from financing activities		**1,119**	**11**	**1,119**	**11**
Net increase in cash and cash equivalents		414	(1,140)	434	(1,138)
Cash and cash equivalents at beginning of year		298	1,466	298	1,452
Effect of foreign exchange rate differences		2	(28)	(19)	(16)
Cash and cash equivalents at the end of year		**714**	**298**	**713**	**298**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIEs

BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in thousands of US dollars ($'000) unless otherwise stated.

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable United Kingdom Law. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 July 2017 are reflected in these financial statements. There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 Statement of Cash Flows has resulted in a reconciliation of liabilities disclosed for the first time in note 17.

Going Concern

As at 30 June 2018 the Group has cash and cash equivalents of $0.71m. As detailed in the Chairman's Statement and past RNS releases, the ICSID tribunal granted Indonesia's application to dismiss the Company's claims for damages arising out of the revocation of the mining licenses that made up the East Kutai Coal Project in East Kalimantan ("EKCP") Indonesia. Included in the tribunal's decision Churchill was ordered to pay a total of USD $9.44m in costs and arbitration tribunal fees. This has resulted in a net liability in the Statement of financial position of $9.32m. The Company has filed an application for annulment of the ICSID award and has been granted a stay of enforcement of the Award, including the cost orders contained in it, pending determination of its Annulment Application. The Company has recognised a full provision for the costs order.

If the annulment process is unsuccessful and the award is enforced, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at amounts different from those stated in the financial statements. The financial report does not include any adjustments relating to recoverability and classification of assets or liabilities that might be necessary should the group not continue as a going concern.

The Directors have concluded that these events or conditions, indicate material uncertainties exist that may cast significant doubt on the Group and the Company's ability to continue as a going concern.

Whilst the directors believe the annulment application has reasonable prospects of success, there can be no guarantee that the tribunal will grant a partial or full annulment of the ICSID award and an unfavourable decision may result in enforcement of the Award including the costs order. These events or conditions, indicate material uncertainties exist that may cast significant doubt on the Group and the Company's ability to continue as a going concern.

Subject to the progress of the annulment application it is likely that additional funding will be needed in the form of a further equity raise and/or debt funding to pursue any future ICSID arbitration claim. The Directors have a reasonable expectation that subject to the progress of the annulment application, the Group will have access to the necessary resources to continue its pursuit of the ICSID litigation and, for this reason, they continue to adopt the going concern basis in preparing these accounts.

NEW STANDARDS AND INTERPRETATIONS APPLIED

New standards and interpretations not yet adopted

The Group has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU. The list below includes only standards and interpretations that could have an impact on the Consolidated Financial Statements of the Group and the Company.

		Effective period commencing on or after
IFRS 9	Financial instruments	*1 Jan 2018*
IFRS 16	Leases	*1 Jan 2019*
IFRS 2	Amendment – Classification and measurement of share based payment transactions	*1 Jan 2018*

IFRS 9 Financial instruments

The complete standard was issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group does not expect the new standard to have a material impact**.**

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group does not expect the new standard to have a material impact**.**

New standards and interpretations not yet effective

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board but are not yet effective will have a material impact on the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective dates. The Group is in the process of assessing the impact of these new standards and amendments on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The financial statements of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income.

On the 1st May 2015, the parent Company's ("Churchill Mining Plc") functional currency changed to GBP from USD as this appropriately reflects the Company's primary economic environment, being the United Kingdom, in which it primarily generates its funding and expends part of its operating cash. The consolidated and company financial information continues to be presented in US dollars ($), which is the presentation currency of the Company to ensure consistency with prior periods.

On consolidation, the results of the Group's and parent's operations are translated into $ at rates approximating to those when the transactions took place. All monetary assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in the statement of changes in equity (the "foreign exchange reserve"). Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Company or the overseas operation concerned. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities and equity instruments are recognised when the Group and Company become party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow expires or when all the risks and rewards of ownership are substantially transferred. Financial liabilities are derecognised when the obligations specified in the contract are either discharged or cancelled.

Financial assets

The Group and Company classify their financial assets into one category – Loans and Receivables. The Group's and Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They incorporate various types of contractual monetary assets, such as advances made to affiliated entities which give rise to other receivables and cash and cash equivalents includes cash in hand and deposits held at call with banks. Other receivables are carried at cost less any provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable

Financial liabilities

The Group's financial liabilities consist of trade payables, other short-term monetary liabilities and long term liabilities which are initially stated at fair value and subsequently at their amortised cost.

Equity instruments

The warrants are recorded as an equity financial instrument as the Group will receive a fixed amount of cash on exercise of the warrant in the functional currency of the relevant entity for issuing a fixed number of shares.

Provisions
Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Share-based payments
Where share options or performance rights are awarded to Directors and employees, the fair value of the options or rights at the date of grant is charged to the statement of comprehensive income immediately or over the vesting period if applicable. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options or rights that may eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received or where this is not possible at the fair value of the equity instruments granted. Fair value is measured by use of an option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. When the Company grants options or rights over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investment in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

Convertible Loans
The proceeds received on issue of the Group's convertible loans are allocated into their liability equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds are allocated to the conversion option and is recognised in the "convertible loan reserve" within shareholders equity, net of income tax effects.

Derivatives embedded in host debt contracts, such as convertible loan notes, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial liability out of the fair value through profit or loss.

Warrants
The company grants share options and warrants to employees as compensation at no consideration and also has issued attaching warrants as part of share placements. The fair value of any options or warrants issued is measured by use of a Black-Scholes model that takes into account factors such as the option/warrant life, the volatility of share price and expected early exercise of share options/warrants.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items if applicable. The corresponding liability is recognised within provisions. Depreciation is provided on all items of property and equipment to write off the carrying value of items over their expected useful economic lives as follows:

Freehold land	- not depreciated
Leasehold improvements	- 5 years
Furniture and fixtures	- 3 years
Office equipment	- 3 years
Motor vehicles	- 8 years

Taxation
Tax on the profit or loss from ordinary activities includes current and deferred tax.

Current tax is based on the profit or loss adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to the statement of comprehensive income, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Tax consolidation
The Company and its 100% Australian controlled entities have formed a tax consolidation Group. Members of the tax consolidated Group intend to enter into a tax sharing arrangement which will allow for the allocation of income tax expense to the wholly controlled entities on a pro rata basis. The arrangement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated Group is Churchill Mining Plc.

Impairment of non-financial assets
Impairment tests are carried out when an indicator of impairment is identified. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest level Group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included within total administration expenses in the statement of comprehensive income, except to the extent that they reverse gains previously recognised in the statement of changes in equity.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is the Managing Director, under his delegated board authority, is responsible for allocating resources and assessing performance of the operating segments.

Investments
In its separate financial statements, the Company recognises its investments in subsidiaries at cost inclusive of share based payments less any provision for impairment.

Cash and cash equivalents
Cash comprises bank and cash deposits at variable interest rates. Any interest earned is accrued monthly and classified as interest income. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits
Provision is made for the Company's liability for employee benefits arising from services rendered by employees. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits.

Key sources of estimation uncertainty
The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The Directors evaluate estimates and judgements incorporated into the Financial Report based on historical knowledge and best available current information. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimations

- Employee, corporate advisory and consulting services received and settled by equity securities are assessed to be equity settled share based payments. The fair value of share options or performance rights is estimated by using a rights or option pricing model, on the date of grant based on certain assumptions. Those assumptions are described in the Notes to the accounts where more details, including carrying values, are disclosed.

Judgements

- As detailed in the Chairman's Statement, the ICSID tribunal granted Indonesia's application to dismiss the Company'sl claims for damages arising out of the revocation of the mining licenses that made up the East Kutai Coal Project in East Kalimantan ("EKCP") Indonesia. Included in the tribunal's decision Churchill was ordered to pay a total of $9.44m in costs and arbitration tribunal fees. The Company has filed an application for annulment of the ICSID award and has been granted a stay of enforcement of the Award, including the cost orders contained in it, pending determination of its Annulment Application. The Company has recognised a full provision for the costs. There can be no guarantee the Company's application will be successful and the timing of the tribunals decision remains uncertain. Given the annulment hearing has occurred, Management expects a final ruling in the next 12 months and therefore the claim provision has been classified to current liabilities in the current year.

NOTE 2: FINANCE INCOME

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Finance income – foreign exchange gains	-	30
Finance income - Bank interest	-	1
Total finance income	**-**	**31**

NOTE 3: LOSS FROM OPERATIONS

	Consolidated	
	2018	**2017**

	$'000	$'000
Loss before tax includes the following expense items:		
Administrative expenses		
Audit & accounting and other fees	21	49
Consulting & professional fees	205	233
Legal fees & Tribunal costs	151	426
Depreciation & amortisation	-	2
Employee salaries and benefits	-	13
Operating lease expense	49	45
Travel expenses	16	47
Other administrative costs	118	144
Equity settled share based payment expense	31	241
Provision for ICSID Award and Tribunal's Costs	-	9,447
	591	**10,647**
Finance expense		
Foreign exchange losses	18	2
Interest on Bond/Convertible Note	54	-
	72	**2**
Total administrative and finance expenses	**663**	**10,649**

During the year the following fees were paid or payable for services provided by the Auditors of the parent entity and subsidiaries:

	Consolidated	
	2018	2017
	$'000	$'000
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	21	25
Other services – interim review	-	5
Fees payable for the audit of the subsidiaries	-	5
Total	**21**	**35**

NOTE 4: SALARIES

		Consolidated		Company	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Staff costs (including Directors' fees) comprise:					
Employee/Consultants (as staff) salaries and benefits		205	67	205	54
Directors' fees		-	-	-	-
Share-based payments		31	220	31	220
		236	**287**	**236**	**274**
Average number of employees		**Number**		**Number**	
Administration and Finance		2	4	2	2
Directors		6	6	6	6

Directors' remuneration and Other Key Management disclosures	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Directors' short term benefits				
Directors' fees and benefits	-	-	-	-
Consultancy fees/Salaries	118	114	118	114
Sub Total	**118**	**114**	**118**	**114**
Directors' share based payments				
Share based payments	24	168	24	168
Total Director Remuneration	**142**	**282**	**142**	**282**
Other Key management short term benefits				
Consultancy fees	67	57	67	57
Sub-Total	**67**	**57**	**67**	**57**
Key management share based payments				
Share based payments	8	53	8	53
Total Other Key Management Remuneration	**8**	**53**	**8**	**53**
Total Director and Key Management Remuneration	**217**	**392**	**217**	**392**
The amounts set out above include emoluments for the highest paid Director as follows:				
Short term benefits	83	57	83	57
Long term benefits	10	52	10	52
Total	**93**	**109**	**93**	**109**

Key management consists of the Board of Directors and the Company Secretary/Chief Financial Officer.

The Company provides Directors' & Officers' liability insurance at a cost of $21,119 (2017: $33,605). These costs are not included in the above table.

NOTE 5: TAXATION ON LOSS FOR THE YEAR

	Consolidated	
	2018 $'000	**2017 $'000**
Major components of income tax expense for the years ended 30 June 2018 and 2017 are:		
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-
A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2018 and 2017 is as follows:		
Accounting loss before income tax	**(663)**	**(10,617)**
At the Australian statutory income tax rate of 27.5% (2017 – 27.5%)	(182)	(2,920)
Effects of:		
Non-deductible expenses	86	2,761
Tax losses not brought to account as a deferred tax asset	96	159
Income tax expense	**-**	**-**
Effective income tax rate	0%	0%

No amounts of deferred tax assets or liabilities have been charged / (credited) to the consolidated statement of comprehensive income or reserves. The deductible temporary differences and Australian domestic tax losses being approximately US$27,774,000 (2017: US$27,661,000) do not expire under current tax legislation. Indonesian tax losses expire after five years. Deferred tax assets have not been recognised in respect of these items because at this point it is not probable that future taxable profits will be available against which the Group can utilise the benefits of tax losses. The Group has not offset deferred tax assets across different jurisdictions. Foreign tax losses in relation to the Indonesian subsidiary PT Indonesia Coal Development expire as follows:

Financial Year	Expire (year)	$'000
2013/2014	2019	277
2014/2015	2020	140
2015/2016	2021	120
2016/2017	2022	54
2017/2018*	2023	-

*Estimate based on the actual loss for 2017/2018

NOTE 6: LOSS PER SHARE

	Consolidated	
	2018	**2017**

	$'000	$'000
Loss attributable to owners of the parent company	(663)	(10,617)
	Number	
Weighted average number of shares used in the calculation of basic loss per share	155,898,823	147,996,320
	Cents	
Basic and diluted loss per share	(0.43c)	(7.17c)

60,152,315 (2017: 20,093,038) potential ordinary shares (options, convertible loan notes and warrants) have been excluded from the above calculations as the exercise price is higher than the average share price for the period. In addition, 22,750,000 Performance Rights have been excluded in the calculation of diluted loss per share as they have not met their vesting conditions. The effect of the potential ordinary shares is also considered to be anti-dilutive, as it will result in decrease in the loss per share.

NOTE 7: PARENT COMPANY PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of the exemption as allowed by Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company loss for the year was $662,837 (2017: $10,491,758).

NOTE 8: SEGMENT INFORMATION

The Group's reportable segments are set out below and include the Indonesian and Australian corporate offices which are administrative cost centres. Operating segments are reported in a manner consistent with the reporting provided to the board.

Consolidated 2018	Australia – Corporate office	Indonesia – Administration Office	Total
	$'000	$'000	$'000
Administration expenses	(590)	-	(590)
Finance expenses – exchange differences	(19)	-	(19)
Finance expenses - interest	(54)	-	(54)
Loss for the year after taxation	**(663)**	**-**	**(663)**
Non-current assets	-	-	-
Other receivables	204	-	204
Cash and cash equivalents	713	1	714
Segment assets	**917**	**1**	**918**
Trade and other payables	183	9	192
Loans and borrowings	601	-	601
Provisions	9,447	-	9,447
Segment liabilities	**10,231**	**9**	**10,240**
Segment net assets	**(9,314)**	**(8)**	**(9,322)**

Consolidated 2017	Australia – Corporate office	Indonesia – Administration Office	Total

	$'000	$'000	$'000
Administration Expense	(1,137)	(65)	(1,202)
Provision for ICSID Costs Award and Tribunal expenses	(9,447)	-	(9,447)
Finance expenses – exchange differences	-	-	-
Finance expenses – interest	-	-	-
Finance income – exchange differences	30	2	32
Loss for the year after taxation	**(10,554)**	**(63)**	**(10,617)**
Non-current assets	-	-	-
Other receivables	53	-	53
Cash and cash equivalents	297	1	298
Segment assets	**350**	**1**	**351**
Trade and other payables	149	23	172
Provisions	9,447	-	9,447
Segment liabilities	**9,596**	**23**	**9,619**
Segment net assets	**(9,246)**	**(22)**	**(9,268)**

NOTE 9: OTHER RECEIVABLES

	Consolidated		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current				
Related party receivables	-	2,960	-	-
Impairment for non-recovery	-	(2,960)	-	-
Prepayments and other receivables	204	53	204	52
	204	**53**	**204**	**52**

The Group's exposure to credit and currency risk related to other receivables is disclosed in Note 18.

NOTE 10: INVESTMENT IN SUBSIDIARIES AND BENEFICIALLY CONTROLLED ENTITIES

The subsidiaries owned or beneficially controlled of Churchill Mining Plc, all of which have been included in these consolidated financial statements, are as follows:

Name/Address	Country of Incorporation	Primary Activity	Proportion of ownership or beneficial interest
Planet Mining Pty Ltd Suite1, 346 Barker Road Subiaco, Western Australia 6008, Australia	Australia	Exploration & Mining Investment	100%
PT Indonesia Coal Development Wisma Kosgoro Building 18th Floor, JI M H Thamrin 53	Indonesia	Exploration & Mining Investment	100%

Jakarta Pusat 10350 Republic of Indonesia			
PT Techno Coal Utama Prima* Wisma Kosgoro Building 18th Floor, JI M H Thamrin 53 Jakarta Pusat 10350 Republic of Indonesia	Indonesia	Exploration & Mining Investment	100%
PT Ridlatama Tambang Mineral* Wisma Kosgoro Building 18th Floor, JI M H Thamrin 53 Jakarta Pusat 10350 Republic of Indonesia	Indonesia	Exploration & Mining Investment	75%
PT Ridlatama Trade Powerindo* Wisma Kosgoro Building 18th Floor, JI M H Thamrin 53 Jakarta Pusat 10350 Republic of Indonesia	Indonesia	Exploration & Mining Investment	75%
PT Ridlatama Steel* Wisma Kosgoro Building 18th Floor, JI M H Thamrin 53 Jakarta Pusat 10350 Republic of Indonesia	Indonesia	Exploration & Mining Investment	75%

*Undertaking held indirectly or beneficially by the Company.

Churchill Mining Plc owns 95% of the shares in PT Indonesia Coal Development with the balance (5%) held by Planet Mining Pty Ltd. Due to the Indonesian companies now being dormant, there is no non-controlling interest in the Group Statement of Financial position.

Previously the South Jakarta District Court held that the deeds of grant by which members of the Ridlatama Group transferred 75% of the issued share capital in two of the four licence companies that made up the East Kutai Coal Project (PT Ridlatama Tambang Mineral and PT Ridlatama Trade Powerindo) to PT TCUP are null and void on the basis that the requirements for a valid grant under Indonesian laws had not been satisfied. The Company filed two separate appeals that were ultimately unsuccessful. It remains the Group's position that it has a 75% beneficial interest in PT Ridlatama Tambang Mineral and PT Ridlatama Trade Powerindo, however given the rulings the company has lost control under the provisions of IFRS 10. There is no impact on either the company or group financial statements.

The cost of the equity investments in subsidiary companies is $8,096,632 which has been impaired in full in prior periods.

Movements of loan investments in subsidiaries during the period are:

	Company	
	2018 $'000	**2017 $'000**
Loans to subsidiaries – Non-current assets		
- Loan Balance	49,379	49,303
- Loans to subsidiaries	3	76
- Impairment of loans to subsidiary	(49,382)	(49,379)
Total loans to subsidiaries – non-current assets	**-**	**-**

The total of subsidiary loans at 30 June 2018 is $49,381,591 (2017: $49,379,171), the recovery of which has been impaired in full. The intercompany loans are unsecured, non-interest bearing and repayable on demand. Following impairment of the underlying assets held within the relevant subsidiaries, Churchill Mining Plc has accordingly reduced the carrying value of investments held at a parent company level.

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables	130	87	130	87
Accruals and other payables	62	85	53	62
	192	**172**	**183**	**149**

The Group's exposure to credit and currency risk related to trade and other payables is disclosed in Note 18.

NOTE 12: LOANS AND BORROWINGS

	Consolidated		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Related party payables	2,199	2,199	-	-
Reassessment of related party loan payable	(2,199)	(2,199)	-	-
Total Current	**-**	**-**	**-**	**-**
Related Party Borrowings				
Non Current				
Bond/Convertible Note	561	-	561	-
Bond/Convertible Note Interest	40	-	40	-
Total Non Current	**601**	**-**	**601**	**-**

Included in the loans and borrowings are amounts potentially payable of $2,198,993 due to the non-controlling shareholders of the IUP Companies PT Ridlatama Tambang Mineral, PT Ridlatama Trade Powerindo, PT Ridlatama Steel and PT Ridlatama Power. The loan payable was reassessed to nil, during the year ended 30 June 2015. There have been no changes in this assessment.

On 22 November 2017, the Company issued £500,000 of secured convertible loan notes ("Loan Notes") to Pala Investments Limited ("Pala") a related party of the Company.

The Loan Notes are convertible at any time into ordinary shares of the Company at a price of approximately 2.976p per share. Full conversion of the Loan Notes by Pala would result in the issue of 16,800,000 new ordinary shares to Pala. The Loan Notes have a term of 36 months and coupon rate of 10% per annum and interest will accrue daily (until repayment or conversion) and will be capitalized annually. Interest shall be payable in cash upon repayment or conversion of the Loan Notes. The Loan Notes are secured by a fixed and floating charge against all the assets of the Company.

In consideration for the issue of the Loan Notes, Pala shall be entitled to receive a direct 25 per cent. interest in the proceeds of any outcome from the Company's ICSID claim against the Republic of Indonesia for the unlawful expropriation of the Company's East Kutai Coal Project.

The Convertible loan notes are presented in the Balance sheet as follows:-

	Consolidated	Company

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Face value of notes issued	675	-	675	-
Other equity – value of conversion rights	(86)	-	(86)	-
	589	**-**	**589**	**-**
Interest expense	52	-	52	-
Interest accrued/capitalised	(40)	-	(40)	-
Non-current Liability	**601**	**-**	**601**	**-**

The initial fair value of the liability portion of the loan note was determined using an estimated market interest rate for an equivalent non-convertible unsecured bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders equity and is not subsequently re-measured.

NOTE 13: PROVISIONS

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current				
Provision for ICSID costs award	9,447	-	9,447	-
Non-Current				
Provision for ICSID costs award	-	9,447	-	9,447
	9,447	**9,447**	**9,447**	**9,447**

The ICSID tribunal granted Indonesia's application to dismiss the Churchill claims for damages arising out of the revocation of the mining licenses that made up the East Kutai Coal Project in East Kalimantan ("EKCP") Indonesia. Included in the tribunal's decision Churchill was ordered to pay a total of $9.44m in costs and arbitration tribunal fees. The Company has filed an application for annulment of the ICSID Award. As part of that application, the Company has been granted a stay of enforcement of the Award, including the cost orders contained in it, pending determination of its Annulment Application. Indonesia subsequently made an application that the stay on enforcement of the award be terminated and a security for cost order be made. The Company has previously recognised a full provision for the costs order. For further information regarding subsequent events developments related to the provision, please refer to Annulment – Discussion in the Chairman's Statement.

NOTE 14: COMMITMENTS

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Operating lease commitments				
The total future aggregate minimum lease payments under non-cancellable operating leases:				
Within one year	12	12	12	12
Within two to five years	-	-	-	-
	12	**12**	**12**	**12**

The above amount relates to a property sub-lease for Suite 1, 346 Barker Road Subiaco Western Australia with the term expiring on 31 December 2018 with rent payable monthly in advance.

NOTE 15: SHARE CAPITAL, SHARE PREMIUM, RESERVES, AND WARRANTS

The Companies Act 2006 (as amended) abolishes the requirement for a company to have an authorised share capital. The Company's articles of association do not include any provisions relating to authorised share capital.

	Company		Company	
	2018 Number	2017 Number	2018 $'000	2017 $'000
Allotted, called up and fully paid				
Ordinary shares at 1p each				
At start of year	148,016,118	147,453,239	2,602	2,595
Additions	15,000,000	562,879	203	7
At end of year	**163,016,118**	**148,016,118**	**2,805**	**2,602**

Date	Details	Allotted, called up and fully paid		Share premium
		Number Ordinary	$'000	$'000
30/06/2016	**Closing balance at 30 June 2016**	**147,453,239**	**2,595**	**81,112**
01/07/2016	Issue of shares in lieu of cash fees @ 18p per share	517,425	6	118
24/11/2016	Exercise of 20p warrants into shares	45,454	1	11
30/06/2017	**Closing balance at 30 June 2017**	**148,016,118**	**2,602**	**81,241**
30/11/2017	Issue of shares @ 2.5p for cash	4,830,000	65	98
29/12/2017	Issue of shares @ 2.5p for cash	10,170,000	138	205
29/12/2017	Share issue expenses	-	-	(33)
29/12/2017	Issue of warrants exercisable at 5p	-	-	(242)
		163,016,118	**2,805**	**81,269**

Share premium

The share premium reserve amount arises from subscriptions for or issue of shares in excess of nominal value.

Warrants granted with share placements

Exercise price	Grant date	Outstanding at start of year	(Exercised)/ Granted during the year	(Lapsed/ Expired) during the year	Outstanding at end of year	Final exercise date
<u>2017</u>						
15p	14/05/2015	4,200,000	-	-	4,200,000	30/06/2018
27p	01/10/2015	2,083,332	-	-	2,083,332	31/10/2018
20p	15/03/2016	3,636,363	(45,454)	-	3,590,909	31/03/2019
20p	04/04/2016	1,363,636	-	-	1,363,636	31/03/2019
Total		**11,283,331**	**(45,454)**	**-**	**11,237,877**	

2018						
15p	14/05/2015	4,200,000	-	(4,200,000)	-	30/06/2018
27p	01/10/2015	2,083,332	-	-	2,083,332	31/10/2018
20p	15/03/2016	3,590,909	-	-	3,590,909	31/03/2019
20p	04/04/2016	1,363,636	-	-	1,363,636	31/03/2019
5p	29/12/2017	-	15,000,000	-	15,000,000	31/12/2020
Total		**11,237,877**	**15,000,000**	**(4,200,000)**	**22,037,877**	

Other Reserves -

Other Reserves include

(i) Foreign exchange reserve

The amount represents gains/losses arising from the translation of the financial statements of foreign operations, the functional currency of which is different from the presentation currency of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 1 to these financial statements.

(ii) Equity settled rights and share options reserve

The amount relates to the fair value of the performance rights and share options that have been expensed through the statement of comprehensive income less amounts, if any, that have been transferred to the retained earnings/deficit upon exercise.

(iii) Warrant reserve

The amount relates to the fair value of free attaching warrants issued as part of share placements by the Company.

Fair value

The fair value of the warrants attaching to share placements has been derived using the Black-Scholes model that takes into account factors such as the option/warrant life, the volatility of share price and expected early exercise of warrants. Volatility has been based on the historic volatility of the Company's shares over the expected period over which the warrants may be exercised. The assumptions inherent in the use of the models are as follows (assumptions presented below are in GBP, as the options/warrants are denominated in GBP):

2018	
Grant date	**29/12/2017**
Granted to	**Placing Warrants**
Number granted	15,000,000
Fair value at grant date	**1.19p**
Assumptions used	
Share price	2.5p
Exercise price	5.00p
Expected volatility	100%
Average Option life	3.00
Risk free interest rate	0.5%

Other Equity

The amount shown for other equity securities is the value of the conversion rights relating to the 10% convertible loan notes, details of which are shown in Note 12.

Retained deficit

Retained deficit represents the cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

NOTE 16: SHARE BASED PAYMENTS

Share options, warrants and performance rights issued as compensation

Share options

The Company has previously issued share options, some of which have vested immediately on grant and others with vesting periods. The options are unlisted. Share options are exercisable for ordinary shares which when exercised rank equally with existing ordinary shares.

Exercise price	Grant date	Outstanding at start of year	(Exercised)/ Granted during the year	(Lapsed/ Expired) during the year	Outstanding at end of year	Final exercise date
2017						
50p	19/08/2011	3,900,000	-	(3,900,000)	-	19/08/2016
50p	29/10/2012	1,250,000	-	-	1,250,000	29/10/2017
28p	21/03/2013	5,400,000	-	-	5,400,000	21/03/2018
48p	03/05/2013	50,000	-	-	50,000	03/05/2018
50p	09/12/2013	3,000,000	-	-	3,000,000	09/12/2018
25p	02/04/2015	5,000,000	-	-	5,000,000	02/04/2020
15p	20/05/2015	100,000	-	-	100,000	30/06/2018
27p	01/10/2015	70,379	-	-	70,379	31/10/2018
35p	23/12/2015	4,600,000	-	-	4,600,000	23/12/2020
Total		**23,370,379**	**-**	**-**	**19,470,379**	
2018						
50p	29/10/2012	1,250,000	-	(1,250,000)	-	29/10/2017
28p	21/03/2013	5,400,000	-	(5,400,000)	-	21/03/2018
48p	03/05/2013	50,000	-	(50,000)	-	03/05/2018
50p	09/12/2013	3,000,000	-	-	3,000,000	09/12/2018
25p	02/04/2015	5,000,000	-	-	5,000,000	02/04/2020
15p	20/05/2015	100,000	-	(100,000)	-	30/06/2018
27p	01/10/2015	70,379	-	-	70,379	31/10/2018
35p	23/12/2015	4,600,000	-	-	4,600,000	23/12/2020
Total		**19,470,379**	**-**	**(6,800,000)**	**12,670,379**	

	Weighted average exercise price 2018	Number 2018	Weighted average exercise price 2017	Number 2017
Outstanding at beginning of the year	34p	19,470,379	36p	23,370,379

Expired during the year	32p	(6,800,000)	50p	(3,900,000)
Issued during the year	-	-		-
Outstanding at end of the year	**34p**	**12,670,379**	**34p**	**19,470,379**
Exercisable at the end of the year	**34p**	**12,670,379**	**34p**	**19,470,379**

The weighted average share price during the year was 30p (2017: 30.66p).

The weighted average remaining contractual life of options outstanding at year end 30 June 2018 was 1.7 years.

Fair value

The fair value of the share options and warrants granted as compensation has been derived using the Black-Scholes model that takes into account factors such as the option/warrant life, the volatility of share price and expected early exercise of share options/warrants. Volatility has been based on the historic volatility of the Company's shares over the expected period over which the share options or warrants may be exercised.

There were no options or warrants granted as compensation for the 2018 year (2017: nil).

Performance Rights

On 29 December 2017, the Company issued 22,750,000 Performance Rights to Directors and Management. If a favourable decision (full or partial annulment) is received in regard to the Company's Annulment Application, the Performance Rights will vest and the holders of these rights will be entitled to apply to exchange, at no cost to the holder (with the Company to expense the nominal value of any shares issued upon exercise), each Performance Right held for one fully paid ordinary share free of encumbrances and ranking pari passu with the other ordinary shares of the Company. The Performance Rights will expire on the date that is 4 years from the date of grant of the Performance Rights. In the event that the ICSID ad hoc Committee dismisses the Company's Annulment Application, the Performance Rights will not vest and will be automatically cancelled.

Grant Date	Expiry Date	No of Rights	Vested during the year	Rights Exercised	Rights Expired	Rights Unvested
29/12/2017	29/12/2021	22,750,000	-	-	-	22,750,000

Valuation of the performance rights was undertaken with the following factors and assumption being used in determining the fair value of each right on the grant date.

Grant Date	Period (years)	Valuation prior to probability	Valuation per right	Total Valuation $	Expense recorded to 30 June 2018 $
29/12/2017	4	0.025p	0.0082p	250,881	23,844

Equity settled share based payment expense

The share-based payment expense for the year ended 30 June 2018 was $31,446 (2017: $242,698).

NOTE 17: NOTES TO THE CASH FLOW STATEMENT

	Consolidated	Company

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Reconciliation of (loss) after tax to cash from operating activities				
(Loss) after tax	**(663)**	**(10,617)**	**(663)**	**(10,492)**
Share based payment expense	31	241	31	241
Depreciation expense	-	2	-	-
Impairment expense	-	-	3	76
Interest expense capitalised	40	-	40	
Loss/(Gain) on exchange rates	19	(29)	19	(174)
(Increase)/Decrease / in receivables	(152)	9	(152)	(2)
Increase/(Decrease) in payables	20	(156)	35	(169)
(Decrease) / Increase in provisions	-	9,399	-	9,447
Cash flow from operating activities	**(705)**	**(1,151)**	**(687)**	**(1,073)**

	Consolidated Non-current loans and borrowings (Note 12)		Company Non-current loans and borrowings (Note 12)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Reconciliation of financing liabilities resulting from financing cash flows				
As at 1 July 2017	**-**	**-**	**-**	**-**
Cash flows				
Issue of convertible notes	675	-	675	-
Allocation to other equity (conversion rights)	(86)	-	(86)	-
Expenses of borrowings	(27)	-	(27)	-
Non-cash flows				
Interest accruing in period (capitalised)	40	-	40	-
Effect of foreign exchange differences	(1)	-	(1)	-
As at 30 June 2018	**(601)**	**-**	**(601)**	**-**

NOTE 18: FINANCIAL INSTRUMENTS

Significant accounting policies
Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

Financial risk management
The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge exposure of the Group's and Company's activities to the exposure to currency risk or interest risk. No derivatives or hedges were entered into during the year.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk;
- Foreign exchange risk.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. There have been no substantive changes in the Group and Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Further details regarding these policies are set out below:

Principal financial instruments
The principal financial instruments used by the Group and Company, from which financial instrument risk arises are as follows:

- Loans and receivables;
- Other receivables;
- Cash and cash equivalents;
- Trade and other payables; and
- Loans and borrowings.

Categories of financial assets

	Consolidated		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current financial assets classified as loans and receivables				
Other receivables	10	50	10	50
Cash and cash equivalents	714	298	713	298
Total current financial assets	**724**	**348**	**723**	**348**
Total financial assets	**724**	**348**	**723**	**348**

Categories of financial liabilities

	Consolidated		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current financial liabilities measured at amortised cost				
Trade and other payables	192	172	184	149
Total current financial liabilities	**192**	**172**	**184**	**149**
Non current financial liabilities				
Convertible Note	601	-	601	-

Total financial liabilities	**793**	**172**	**785**	**149**

There is no material difference between the book value and fair value of the Group's financial instruments, due to the short-term nature of these instruments.

LIQUIDITY RISK

The Group's and Company's policy is to ensure that it has sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements for a period of at least 60 days.

Cash forecasts identifying the liquidity requirements of the Group and Company are produced frequently for review by the management and the Board.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated **2018**	**Carrying amount** **$'000**	**Contractual cash flows** **$'000**	**6 months or less** **$'000**	**6 months or more**
Current financial liabilities				
Trade and other payables	192	192	192	-
Non-Current financial liabilities				
Borrowings – Convertible Note	561	561	-	561
Borrowings – Convertible Note – Capitalised interest	40	40	-	40
	793	**793**	**192**	**601**

Company **2018**	**Carrying amount** **$'000**	**Contractual cash flows** **$'000**	**6 months or less** **$'000**	**6 months or more**
Current financial liabilities				
Trade and other payables	183	183	183	-
Non-Current financial liabilities				
Borrowings – Convertible Note	561	561	-	561
Borrowings – Convertible Note – Capitalised interest	40	40	-	40
	784	**784**	**183**	**601**

Consolidated **2017**	**Carrying amount** **$'000**	**Contractual cash flows** **$'000**	**6 months or less** **$'000**
Current financial liabilities			
Trade and other payables	172	172	172
	172	**172**	**172**

Company	**Carrying amount**	**Contractual cash flows**	**6 months or less**

2017	$'000	$'000	$'000
Current financial liabilities			
Trade and other payables	149	149	149
	149	**149**	**149**

CREDIT RISK

Credit risk arises principally from the Group's other receivables and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligations in respect of the instrument.

The Group holds its cash balances with reputable financial institutions with strong credit ratings.

The Group and Company's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

Consolidated	2018		2017	
	Carrying value $'000	Maximum exposure $'000	Carrying value $'000	Maximum exposure $'000
Current assets				
Cash and cash equivalents	714	714	298	298
Other receivables	10	10	50	50
	724	**724**	**348**	**348**

Company	2018		2017	
	Carrying value $'000	Maximum exposure $'000	Carrying value $'000	Maximum exposure $'000
Current assets				
Cash and cash equivalents	713	713	298	298
Other Receivable	10	10	50	50
	723	**723**	**348**	**348**

CASH FLOW INTEREST RATE RISK

The Group and Company is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The risk is considered to be minimal with the current low rates available for GBP and USD deposits. The cash balances maintained by the Group and Company are managed in order to ensure that the maximum level of interest is received for the available funds without affecting the working capital flexibility the Group and Company require.

The Group and Company is not at present exposed to cash flow interest rate risk on borrowings as they are not interest bearing. No subsidiary Company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

FOREIGN EXCHANGE RISK

The Group has overseas subsidiaries, in Australia and Indonesia, whose expenses are mainly denominated in US dollars with some expenses in Australian Dollars and Indonesian Rupiah. In addition, the Parent Company incurs some expenses in British Pounds and raises its equity finance in British Pounds. Foreign exchange risk is inherent in the

Group's activities. The Group mitigates foreign exchange risk by transferring appropriate amounts to match the budgeted spend in each currency. Although its geographical spread reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into US dollars. No formal arrangements have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible. The Group considers that this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board, through its approval of both corporate and capital expenditure budgets, and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an on-going basis.

The following table discloses the exchange rates of the major currencies utilised by the Group:

	Pounds Sterling	Australian Dollar	Indonesian Rupiah
Foreign currency units to US $1			
Average for 2017/2018	0.7424	1.2898	13,277
At 30 June 2018	0.7575	1.3440	14,262
Average for 2016/2017	0.7882	1.3254	13,263
At 30 June 2017	0.7692	1.3012	13,301

At the year end, the Group had a cash balance of $713,671 (2017: $298,354) which was made up as follows:

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Great British Pound	445	143	445	143
United States Dollar	198	78	198	79
Australian Dollar	70	76	70	76
Indonesian Rupiah	1	1	-	-
	714	**298**	**713**	**298**

Currency exposures & Sensitivity analysis

The monetary assets and liabilities of the Group that are not denominated in US dollars and therefore exposed to currency fluctuations are shown below. The amounts shown represent the US dollar's equivalent of local currency balances.

	Australian Dollar $'000	Pound Sterling $'000	Indonesian Rupiah $'000	Total $'000
US Dollar equivalent of exposed net monetary assets and liabilities				
At 30 June 2018	(15)	431	-	416

At 30 June 2017	23	143	-	166

A 10% strengthening of the US dollar against the Australian dollar at 30 June 2018 would have increased the loss by $6,391 (2017: increased loss by $6,925) and reduced equity by $6,391 (2017: $6,925). This analysis assumed that all other variables, in particular interest rates, remain constant. A 10% weakening of the US dollar against the above currency at 30 June would have had approximately the equivalent but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

A 10% strengthening of the US dollar against the Great British Pound ("GBP") at 30 June 2018 would have increased the cash balance held by $40,415 (2017: $13,023) and decrease equity by $40,415 (2017: $13,023). This analysis assumed that all other variables, in particular interest rates, remain constant. A 10% weakening of the US dollar against the above currency at 30 June would have had approximately the equivalent but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital

The objective of the Directors is to maximise Shareholder returns and minimise risks with the Group being mainly equity financed as well as recently issuing a convertible bond. In managing their capital, the Group and Company's primary objective is to ensure their ability to provide a sufficient return for their Shareholders, principally though the ICSID damages claim. In order to achieve and maximise this return objective, the Group and Company will, in future, seek to maintain any gearing ratio that balances risks and returns at an acceptable level while also maintaining a sufficient funding base to enable the Group and Company to meet their working capital and strategic investment needs. In making decisions to adjust their capital structure to achieve these aims, either through new share issues, increases or reductions in debt, or altering dividend or share buyback policies, the Group considers not only its short-term position but also its medium and longer term operational and strategic objectives.

NOTE 19: RELATED PARTY TRANSACTIONS

The Group had the following material transactions (excluding Directors' salaries and fees) with related parties during the year ended 30 June 2018.

On the 1st December 2015, the company entered into a lease agreement for office premises with Borden Holdings Pty Ltd a company controlled by Mr David Quinlivan. The terms of the lease were approved by the Independent Directors and are on normal commercial terms. During the year the Company paid $43,125 to Borden Holding Pty Ltd under the terms of the lease.

On 22 November 2017, the Company announced that it agreed to issue £500,000 of convertible loan notes ("**Loan Notes**") to its major shareholder Pala Investments Limited ("**Pala**"). Prior to the issue of the Loan notes Pala held approximately 21.3 per cent of the Company's issued share capital. In consideration for the issue of the Loan Notes, Pala is entitled to receive a direct 25 per cent interest in the proceeds of any future outcome from the Company's ICSID claim against the Republic of Indonesia. The Loan Notes are convertible into Ordinary shares of the Company at a price of approximately 2.976p per share. Full conversion of the Loan Notes by Pala would result in the issue of 16,800,000 new Ordinary Shares and would increase Pala's shareholding to 49,692,388 Ordinary Shares, representing 29.3 per cent of the Company's current issued share capital as enlarged by full conversion of the Loan Notes. The coupon rate for the Loan Notes is 10% per annum and interest will accrue daily (until repayment or conversion) and be capitalized annually. As at 30 June 2018, the amount of $601,181 is owing to Pala.

The amounts receivable and payable to Ms Florita and Ms Ani Setiawan were impaired in full in previous reporting periods. No events or conditions were noted throughout the year ended 30 June 2018 to indicate that the impairment should be reversed.

The Key Management personnel disclosures (composition and compensation) are included in Note 4 to the financial statements.

NOTE 20: CONTINGENCIES

Previously the South Jakarta District Court held that the deeds of grant by which members of the Ridlatama Group transferred 75% of the issued share capital in two of the four licence companies that made up the East Kutai Coal Project (PT Ridlatama Tambang Mineral and PT Ridlatama Trade Powerindo) to PT TCUP are null and void on the basis that the requirements for a valid grant under Indonesian laws had not been satisfied. The Company filed two separate appeals that were ultimately unsuccessful. The Group has previously impaired the remaining receivable of $2,960,112 and also reassessed the loan payable to nil. It remains the Group's position that this receivable and payable are able to be offset in the future if required.

The Group is involved in litigation as detailed in the Chairman's Statement and Strategic Report. As at the date of this report the disclosure of any further information about the above matters would be prejudicial to the interests of the Group.

NOTE 21: EVENTS AFTER THE REPORTING PERIOD

As detailed in the Chairman's statement a hearing on annulment of the 2016 adverse ICSID award was held on 16/17 July 2018 and as at the date of this report the decision is pending. Further detail in relation to the progress of the international arbitration claim during the 2018 financial year is included in the Chairman's Statement.

On 6 July 2018, Mr Radke resigned as a Director.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.